HUMAN SERVICES

4130 Health and Human Services Agency Data Center

The Health and Human Services Agency Data Center (HHSDC) seeks to increase efficiency and effectiveness in the use of electronic data processing resources by providing services to departments and agencies within the Health and Human Services Agency in a consolidated manner. HHSDC is supported entirely by reimbursements from departments that contract with the data center for services.

The HHSDC has two general components: operations and systems management. The operations component provides computer services, telecommunications support, information systems, and training support to departments in the Health and Human Services Agency. The systems management component manages five major projects for the Department of Social Services. These include (1) the Statewide Automated Welfare System (SAWS), automating eligibility and administrative functions for CalWORKS, Food Stamps, Medi-Cal, Foster Care, Refugee and County Medical Services programs; (2) the Child Welfare Services/Case Management System (CWS/CMS) for the Child Welfare Services, Foster Care and Adoptions programs; (3) the Statewide Fingerprint Imaging System (SFIS) to identify duplicate applicants for CalWORKS and Food Stamps benefits; (4) the Electronic Benefit Transfer (EBT) program to deliver assistance benefits to eligible recipients through electronic funds transfer; and (5) the Case Management, Information and Payrolling System (CMIPS) for the In-Home Supportive Services program. The HHSDC budget is increased by $16 million in spending authority, an increase of 5.2 percent.

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	$ Change	% Change
HHSDC Revolving Fund	$315, 587	$331,900	$16,313	5.2
(Operations)	[133,134]	[117,566]		
(Systems Management Services)	[182,453]	[214,334]		
Total	$315,587	$331,900	$16,313	5.2

Summary of Augmentations

- Increases by $7.2 million the HHSDC spending authority to fund various infrastructure improvements and changes to better meet customer needs. This funding will support operational/disaster recovery services for critical information technology systems, upgrades of the current information technology infrastructure, staffing resources, and a new lease.
- Increases spending authority by $35.2 million. This amount includes a $30.5 million increase for ongoing maintenance and operations needs of the CWS/CMS system and $4.7 for the design,

development, integration and implementation of the Expanded Adoptions Subsystem, a system necessary to meet federal requirements.

- Increases funding for the Electronic Benefits Transfer Program by $7.5 million to add another 27 counties to the EBT system. A total of 46 counties will have implemented the EBT system by the end of the 2003-2004 fiscal year.
- Provides an increase of $795,000 to continue the planning phase for a new CMIPS system, which manages case information and processes payroll for the IHSS program.

Issue

- The Statewide Fingerprint Imaging System works to identify duplicate applicants for CalWORKS and Food Stamps benefits. It seeks to protect program integrity by deterring or detecting duplicate-aid fraud. Specifically, SFIS matches fingerprint images of program applicants against a database containing fingerprint images of existing program participants. California has spent an estimated $53.7 million on SFIS and continuing program costs are estimated to be $10.7 million per year.

  The California State Auditor recently evaluated the level of fraud detected through SFIS, the level of fraud deterrence resulting from the system and SFIS's deterrence of eligible applicants, and the system's cost-effectiveness. The Auditor found that the Department of Social Services did not know the extent of duplicate-aid fraud before implementing SFIS. The Auditor's review suggests that the extent of known duplicate-aid fraud before SFIS was implemented appears not to have been significant. The Auditor concludes that the level of detected duplicate-aid fraud has been very small, that there is insufficient evidence to substantiate SFIS's cost-effectiveness, and that the system may run counter to legislative and federal efforts to increase participation in the Food Stamps Program among eligible individuals. The audit raises concerns about the system's goals and suggests that SFIS may be more effective at deterring eligible individuals from seeking assistance than protecting program integrity.

  The Legislature may wish to consider whether continuation of SFIS is justified, whether the Administration can demonstrate SFIS's effectiveness in protecting program integrity and present convincing evidence that the benefits of the program outweigh its deterrent effect among eligible individuals. The Legislature may wish to consider the cost-effectiveness of the SFIS program and its impact on legislative goals to increase participation in the Food Stamps Program among eligible individuals.

4140 Office of Statewide Health Planning and Development

The Office of Statewide Health Planning and Development (OSHPD) develops plans, policies and programs to assist health care delivery systems in meeting the needs of Californians. OSHPD has four major program areas: (1) healthcare cost and quality analysis; (2) healthcare workforce development; (3) facility/hospital development, including Cal-Mortgage Loan Insurance; (4) health care information. The budget is reduced by $2.3 million, a 4.1 percent reduction. This reduction eliminates in its entirety the general fund contribution to OSHPD.

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	$ Change	% Change
General Fund	$4,725	$0	-$4,725	-100.0
Federal Trust Fund	1,499	1,285	-$214	-14.2
Special Funds	44,607	48,724	4117	9.2
Reimbursements	4,577	3,118	-1,459	-31.8
Total	$55,408	$53,127	-$2,281	-4.1

Summary of Reductions

- Reduces general fund support for the Family Physician Training Program by $4.5 million and offsets this reduction with revenue from a new surcharge imposed on specific medical licenses.

- Eliminates the Health Professions Career Opportunity Program (HPCOP) for general fund savings of $143,000. The HPCOP program seeks to increase the number of health professionals who work in underserved communities by providing recruitment and mentoring services to undergraduate students from underrepresented minorities and disadvantaged backgrounds.

Summary of Augmentations

- Provides a $450,000 increase to implement AB 3050, Chapter 351, Statutes of 2002, to collect and disseminate outpatient data from all of California's emergency departments and ambulatory surgery centers. This proposal will result in the collection of 11.3 million additional records and is intended to improve California's ability to make informed decisions on health care policies. The proposed funding will support facility compliance and outreach, regulation formation, fee collection processes, and the development of outpatient data products.

4170 Department of Aging

The Department of Aging is the state agency designated to coordinate resources to meet the long term care needs of older individuals, to administer the federal Older Americans Act and the State Older Californians Act, and to work with Area Agencies on Aging to serve elderly and functionally impaired Californians. The Department provides services under (1) Senior Nutrition Services; (2) Senior Community Employment Services; (3) Supportive Services and Centers; and (4) Special Projects. The Department's budget is reduced by $2.2 million (1.2 percent) in the budget year. General Fund contribution to the Department is reduced by 16.7 percent.

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	$ Change	% Change
General Fund	$38,342	$31,910	-$6,432	-16.7
State HICAP Fund	1,604	1,604		
Federal Trust Fund	138,182	139,124	942	0.7
Federal Citation Penalties Fund		2,332	2,332	100.0
Reimbursements	5,941	6,866	925	15.6
Total	$184,069	$181,836	-$2,233	-1.2

Summary of Reductions

- Reduces funding for the Senior Nutrition Program by $2.9 million. This program serves meals to seniors in congregate settings and delivers meals at home, 5 days a week, to frail, isolated or homebound seniors. This reduction will result in the loss of $4.7 million in federal matching funds and the elimination of 5,100 seniors from the program.

- Eliminates the Senior Companion Program for general fund savings of $2 million. This program, which is funded with a combination of state, local and federal funds, provides low-income senior volunteers a modest stipend for providing light respite care and peer support to frail elders. Last year, 432 seniors provided 452,000 hours of service to 2,615 frail elders through this program.

- Eliminates the Foster Grandparent Program for savings of $1.1 million. This program provides modest stipends to low-income seniors that serve special needs children for an average of 20 hours per week. Volunteers work in various settings including health care facilities and emergency shelters.

- Eliminates the Brown Bag Program for savings of $865,000. The Brown Bag Program provides surplus and unmarketable edible fruits, vegetables and other unsold food products to low-income seniors who are eligible for SSI/SSP.

- Eliminates the Senior Housing and Information Center for savings of $787,000. The Center serves as an information clearinghouse on senior housing options and home modification resources. Its mission is to promote opportunities for Californians to live safely in their homes throughout their lifetimes.

- Eliminates the Respite Registry Program for savings of $135,000. The Program provides temporary or periodic services for frail elderly or adults with functional impairments to relieve persons who are providing care. It also recruits and screens providers and matches respite providers to clients.

Summary of Augmentations

- Provides $1 million in federal funds and $200,000 in redirected state funds for the Senior Farmers' Market Nutrition Program, which provides coupons to low-income seniors to purchase fresh fruits and vegetables at Certified Farmers Markets.

- Increases by $2.3 million funding for the State Long-Term Care Ombudsman Program to support a 50 percent program expansion. Funding will be derived from the Federal Penalty Citation Account and will be partially supplemented by federal matching funds. The Ombudsman Program serves residents of California's 7,400 Skilled Nursing Facilities, Distinct Part Skilled Nursing Facilities and Residential Care Facilities for the Elderly. Services are provided by a combination of paid staff and volunteers working at thirty-five local programs across the state. Program staff and volunteers investigate and resolve complaints, visit residents on a regular basis, provide consultation to facilities, and conduct community education sessions. This funding will increase volunteer staff by at least 650 individuals.

Issues

- <u>Are the proposed program reductions cost effective?</u>

The budget proposes elimination of various community-based service programs designed to foster senior independence and to allow seniors to continue living in their own homes. The proposals will generate $7.8 million in general fund savings for the 2003-2004 fiscal year.

The programs proposed for elimination provide services that may be critical to the ability of seniors to live independently. For example, the Senior Nutrition Program provides home delivered meals to 55,000 seniors who are homebound due to illness, incapacity, disability, or who are otherwise isolated. Reportedly, for many seniors, home delivered meals are the only contact they have with the outside world and are critical to their ability to remain at home. Without these visits, some of the unserved 5,100 seniors may face institutionalization in a nursing home. Similarly, the elimination of the Senior Companion Program and the resulting loss of services delivered by senior volunteers to frail elders may increase the number of seniors who seek services from other programs such as IHSS.

The elimination or reduction of these services when considered in concert with other proposals such as reductions of SSI/SSP grants may threaten the ability of some seniors to live independently and may result in increased demand for more costly services like IHSS and nursing home care. The Legislature may wish to consider the cost effectiveness and resulting cost avoidance of the programs proposed for elimination. The Legislature may also wish to consider the overall budget impact and the out-year budget impact of the proposed reductions. To the extent that program reductions result in increased institutionalization, these program reductions may result in significant out-year program costs.

4180 Commission on Aging

The Commission on Aging advises the Governor, Legislature, and state and local agencies on the problems and needs of older Californians. The Commission works with local Area Agencies on Aging, and it sponsors and coordinates the California Senior Legislature. The Commission is funded with a combination of federal funds, and voluntary tax contributions. The proposed budget is reduced by $41,000 over current year spending, a reduction of 5.9 percent.

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	$ Change	% Change
California Seniors Special Fund	$62	$62	$0	
Federal Trust Fund	374	286	-88	-23.5
California Fund for Senior Citizens	249	296	47	18.8
Total	$685	$644	-$41	-5.9

4200 Department of Alcohol and Drug Programs

The Department of Alcohol and Drug Programs (DADP) receives and disburses federal and state alcohol and drug funds to plan, develop, implement and evaluate a statewide system for alcohol and other drug intervention, prevention, detoxification, treatment and recovery services. The Department is the lead agency in the implementation of Proposition 36 (the Substance Abuse and Crime Prevention Act of 2000). Appropriations in the budget year are proposed to decrease by $91.3 million (15.8 percent).

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	$ Change	% Change
General Fund	$232,811	$5,673	-$227,138	-97.5
Sale of Tobacco to Minor Control Acct.	-2,000	-2,000	0	0.0
Driving-Under-the-Influence Program Licensing Fund	1,573	1,573	0	0.0
Narcotic Treatment Program Licensing Fund	1,450	1,550	100	-6.8
Audit Repayment Trust Fund	67	67	0	0.0
Federal Trust Fund	274,717	275,266	549	.1
Resident Run Housing Revolving Fund	39	39	0	0.0
Reimbursements	65,813	200,976	135,163	205.0
Substance Abuse Treatment Trust Fund (non-add)	[120,087]	0		
Total	$574,470	$483,144	-$91,326	-15.8

Summary of Reductions and Adjustments

- Realigns drug and alcohol programs, including Drug Medi-Cal and Proposition 36 funded programs, for general fund savings of $231 million.
- Reduces Drug Medi-Cal funding by $7.6 million in the current year and $2.6 million in the budget year. These changes are related to caseload adjustment, reductions in cost, and changes in utilization of services.
- Provides $4 million in federal funds to implement science based substance abuse prevention programs and practices at the local level that target youth and to increase collaboration and coordination at the state level among agencies with prevention initiatives that target youth and young adults.

Issues

- <u>Realignment of alcohol and drug treatment programs</u>
  The budget proposes to realign multiple alcohol and drug treatment programs to counties for general fund savings of $231 million. The realigned programs include Drug Medi-Cal services, drug court programs, Proposition 36 funding and non-Medi-Cal alcohol and drug services. The realignment proposal lacks specificity regarding how alcohol and drug treatment programs will operate within realignment. Establishing specific parameters to govern how these programs will work when realigned is essential to ensuring compliance with Proposition 36 and adequate availability of services. For example, California will need to maintain spending at the federally required maintenance-of-effort level to assure continued receipt of federal funds within realignment. The state will need to develop a system to track Drug Medi-Cal expenditures within the context of realignment to maximize the state's use of matching federal funds. The state will also need to assure Proposition 36 funding and programs are administered in accordance with legal requirements. The Governor's Proposed Budget and its implementing legislation do not specify whether counties will be given increased flexibility to significantly alter programs, reduce services, or otherwise contain costs. The budget does not specify if counties will have expanded program authority or whether the programs

will essentially operate as currently crafted. The Legislature may wish to ask the Administration to clarify how these programs will be modified as a result of realignment, what if any additional flexibility will be granted to counties and how realignment will affect service delivery. Despite the need for technical development, the realignment of drug and alcohol programs may provide an opportunity for innovation at the local level and a chance to address barriers to individuals accessing services within the Drug Medi-Cal program.

- State at risk of losing $95 million in federal funds.
  Federal law establishes that California must maintain general fund spending on drug and alcohol programs at an amount equal to the average of the state's spending in the previous two years to assure continued receipt of federal Substance Abuse and Treatment funds. If the state does not meet its maintenance of effort requirement, its federal funds are reduced by an amount equal to the state's under funding of its maintenance of effort.

  Proposition 36, a voter based initiative approved in 2000, requires that certain non-violent offenders and parolees who use or possess illegal drugs receive drug treatment and intensive supervision in the community instead of being incarcerated. The Proposition also requires the appropriation of $120 million annually for five years to finance its implementation. In the 2005-2006 fiscal year California will no longer be obligated to make this appropriation.

  Since the Proposition 36 appropriation is time limited, the Administration wants to exclude these funds from MOE calculations to reduce its out-year obligation to drug and alcohol treatment programs. The federal government recently disapproved California's proposal to exclude Proposition 36 funds from its MOE calculations. California intends to challenge the federal ruling. If the state's efforts fail, California stands to lose $95 million in federal funds due to not meeting its MOE in the budget year.

4700 Community Services

The Department of Community Services and Development administers programs in three main areas: (1) Low Income Home Energy Assistance Programs (LIHEAP and CaLIHEAP), (2) Department of Energy Weatherization Assistance Program (WAP), and (3) federal Community Services Block Grant. The department also verifies eligibility of applicants for the California Alternative Rates for Energy Program offered by utility companies, administers the Naturalization Services Program and the Lead-Based Paint Abatement and Prevention Program, and participates in the multi-department California Mentor Program for at-risk youths. Programs are administered through a statewide system of community agencies. The Governor's Budget proposes to eliminate the Department of Community Services and Development and to transfer its responsibilities to the Department of Social Services.

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	$ Change	% Change
General Fund	$5,378	$0	-$5,378	
Petroleum Violation Escrow Account	0	0	0	
Federal Trust Fund	150,902	0	-$150,902	
Reimbursements	9,235	0	-$9,235	
Energy Programs	[97,959]	[0]		
Community Services	[60,932]	[0]		
Naturalization Services	[6,624]	[0]		

Total	$165,515	$0	-$165,515	-100.0

Summary of Reductions

- Consolidates the Department of Community Services and Development with the Department of Social Services. Shifts $155.1 million in federal funds (Low-Income Home Energy Assistance Program and Community Services Block Grant) from the Department of Community Services and Development to the Department of Social Services due to the consolidation. The budget estimates a reduction of $922,000 in state administration costs and proposes to shift these funds to local assistance. There are no general fund savings associated with the proposed consolidation.

- Eliminates the Naturalization Services Program to realize savings of $7.9 million ($2.9 million general fund).
- Eliminates the Mentoring Program for savings of $1 million general fund. The program supports community-based organizations that operate mentoring programs serving at-risk youth. It seeks to increase the number of trained mentors, increase the number of mentor-mentee matches, increase the number of mentor hours available, increase awareness and support of local mentor programs and reduce the rate of teenage pregnancy, alcohol and drug use, school dropout and gang violence.

Issues

- <u>Consolidation of Community Services and Development within Social Services</u>
  Since its inception in 1964 to provide technical assistance to local agencies developing and administering community action programs, the Department of Community Services and Development has been restructured several times. The program has been consolidated with the Employment Development Department and with the Health and Human Services Agency. Since 1996, the department has existed as a stand-alone department within the Health and Human Services Agency.

  The budget consolidates the Department of Community Services and Development with the Department of Social Services to improve efficiency in state government. The budget assumes a reduction of $922,000 in state administration costs and proposes to shift these funds to local assistance. The proposal will not result in any general fund savings.

  The effect of this proposal on program accountability and the ability of community action programs to operate efficiently may hinge on factors that are currently undefined. For example, the Governor's Budget does not specify what branch of the Department of Social Services will assume the responsibilities transferred from the Department of Community Services and Development. The budget and proposed legislation do not outline the organizational structure or principles that will guide program implementation within DSS. The proposal lacks mechanisms to assure the federal grants are administered in a centralized manner and to provide clear channels of responsibility and accountability. The Legislature may wish to further develop key elements of this proposal.

- <u>Elimination of the Naturalization Services Program</u>
  The budget proposes to eliminate the Naturalization Services Program to realize savings of $7.9 million ($2.9 million general fund). The program assists legal permanent residents to obtain citizenship. It conducts outreach, provides citizen preparation and assistance, skills assessments, and advocacy/follow-up through contract services provided by community agencies. It assists an average of 7,400 individuals per year in the completion of citizenship applications. The program spends an average of $350 per person served.

5160 Department of Rehabilitation

The Department of Rehabilitation assists people with disabilities to obtain and retain employment and to maximize their ability to live independently in the community. The department operates the Vocational Rehabilitation Services program, funded primarily with federal funds, to provide vocational services to persons with disabilities. Some of these services are provided through cooperative agreements with other state and local agencies (education, mental health, welfare). The department provides habilitation services, vocational and supported employment services for persons with developmental disabilities, using state funds and federal Home and Community Services Medicaid reimbursements. It also provides support services for Community Rehabilitation Programs, including independent living centers. The budget is anticipated to be $343.8 million ($43.1 million General Fund), a decrease of 28.4 percent and a decrease in the overall general fund contribution of 72.1 percent.

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	$ Change	% Change
General Fund	$154,645	$43,100	-$111,545	-72.1
Vending Stand Account	3,360	3,421	61	-1.8
Federal Funds	293,640	289,481	-4,159	-1.4
Reimbursements	28,691	7,818	-20,873	-72.7
Total	$480,336	$343,820	-$136,516	-28.4

Summary of Reductions

- Reduces provider rates in the Work Activity Program (WAP) by 5 percent to realize savings of $3.1 million. The program provides work experience and ancillary work-related services in a sheltered setting to persons with developmental disabilities.
- Reduces provider rates in the Supported Employment Program (SEP) by 5 percent for savings of $3.2 million. SEP provides competitive employment opportunities and necessary training and ancillary support services to enable clients to learn necessary job skills and maintain employment.
- Suspends WAP rate adjustments through 2005-2006 to realize savings of $12.3 million.
- Transfers the Habilitation Services Program from the Department of Rehabilitation to the Department of Developmental Disabilities (DDS) and consolidates it within the Regional Centers for total savings of $1.5 million general fund. The total funds transferred to DDS are $116 million.

Issues

- Transfer of the Habilitation Services Program to the Department of Developmental Disabilities
  The Habilitation Services Program (HSP) provides a range of services to persons with developmental disabilities, and blind and deaf-blind individuals to assist them in reaching and maintaining their highest level of vocational potential. The majority of HSP clients are persons with developmental disabilities who receive work experience and ancillary work related services in a sheltered setting through the Work Activity Program or competitive employment opportunities and training and ancillary support services through the Supported Employment Program. These services are an entitlement under the Lanterman Act.

Not-for-profit entities and job coaches generally provide Habilitation Services Program services. The Department of Rehabilitation is responsible for administering the program, monitoring compliance with program requirements and reimbursing providers. HSP serves over 18,000 clients annually and has a total budget of $138.7 million ($117.7 million general fund).

The Budget transfers the Habilitation Services Program from the Department of Rehabilitation to the Department of Developmental Disabilities and consolidates program administration. The budget assumes increased administrative efficiencies as a result of the proposed transfer and estimates net savings of $1.5 million general fund. The proposal does not assume any new funding to the Regional Centers for program administration.

The 2002 Budget Act required the Department of Rehabilitation and the Department of Developmental Disabilities to provide a report on the Habilitation Services Program rates and consumer eligibility, and to make recommendations for streamlining and consolidating programs, if such changes are warranted. The Legislature may wish to consider the findings and recommendations of the forthcoming report when evaluating this proposal.

The Legislature may wish to consider the effects of this proposal on client services and to further develop how the program will function within DDS. Currently, the proposal does not outline how program administration will be modified as a result of the transfer. It does not address how the WAP and SEP program rate structure will be reconciled with Regional Center rate structures. It does not specify the licensing process and requirements under which the program will operate and does not specify how the DDS and Regional Centers will reimburse providers. The result of this transfer and its impact on client services may hinge on the development of a clear and specific transition plan that is workable for the departments, providers and clients.

- <u>WAP and SEP provider rate reductions</u>
  The Budget reduces provider rates in the Work Activity Program and the Supporter Employment Program by 5 percent to realize savings of $6.3 million in general fund. Rates in the Supported Employment Program will be lowered from $28.33 to $26.91 per job coach hour, their pre-1998 rate level. The proposed reductions may significantly diminish provider participation in the program and may result in reduced client services. The Legislature may wish to consider the effect of this proposal on clients' ability to access services and the extent to which reductions in WAP and SEP services may lead to individuals participating in more costly programs.
- The Budget proposes to suspend WAP rate adjustments for the 2003-2004 fiscal year to realize savings of $12.3 million. Since WAP rates are adjusted biennially and 2003-2004 is a rate setting year, suspension of the rate adjustment will continue the current rates until the 2005-2006 fiscal year.

5175 Department of Child Support Services

The Department of Child Support Services (DCSS), established as of January 1, 2000, administers the child support enforcement program operated by local child support agencies. The Department provides state direction to assure that child support amounts are established, collected, and distributed to families, including securing child and spousal support, medical support, and determining paternity. The Department continues to have responsibility for addressing federal fiscal sanctions related to California's failure to develop adequate systems in the past. The department oversees local program and fiscal operations, administers the federal Title IV-D state plan for securing child support, and establishes performance standards for California's child support program. The budget anticipates collections of $2.3 billion in the budget year. The department's overall budget decreases by $17.8 million (1.5 percent).

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	$ Change	% Change
General Funds	$465,023	$470,172	$5,149	1.1
Federal Funds	406,484	388,597	-$17,887	-4.4
Reimbursements	443	443		
Child Support Collection Recovery Fund	310,243	305,148	-$5,095	-1.6
Total	$1,182,193	$1,164,360	-$17,833	-1.5

Summary of Reductions

- Reduces by $108.8 million ($37 million general fund) funding for local child support departments. This reduction reflects the actual expenditure levels for local child support administration for the 2001-2002 fiscal year, as well as other program reductions.

- Proposes legislation to require a 25 percent county share of cost for the federal penalty levied against California due to the state's delay in implementing a single statewide-automated system for the collection of child support and assumes additional general fund revenue of $51.8 million.

- Eliminates the transfer of child support collection revenues to the Foster Parent Training Fund for an increase of $2.6 million general fund revenue.

Summary of Augmentations

- Provides an increase of $18.9 million to fully fund the alternative federal penalty. The total penalty in the 2003-2004 fiscal year amounts to $207.1 ($155.3 million General Fund).

- Transfers $1.3 million from the Department of Justice to the Department of Child Support Services to support transfer of the California Parent Locator Service and the California Central Registry to DCSS.

Summary of Issues

- Federal Child Support Penalty
  Since the late 1990s California has been assessed penalties by the federal government due to the state's failure to develop a statewide automated system for the collection of child support. The penalties are a percentage of program administration costs and the percentage rises over time. California has reached the maximum percentage level and will pay $207.1 million in the budget year. The Budget provides an increase of $18.9 million to fully fund the penalty. It also proposes a 25 percent county share of the federal penalty to provide $51.8 in new general fund revenues in the budget year. California is in the early stages of developing the California Child Support Automated System (CCSAS) which when implemented on a statewide basis will obviate federal penalties.

- Elimination of the Foster Parent Training Fund
  California transfers the difference between the state share of child support foster care collections and the base level of the estimated share of child support foster care collections, up to a maximum of $3 million, to the Foster Parent Training Fund. This funding supports foster parent training programs offered by the Chancellor's Office of the California Community Colleges and is used to leverage $3.4

million in federal matching funds. The programs provide training to facilitate the development of foster family homes and small family homes to care for children who have special needs.

A recent federal audit of California's Child Welfare Services System found that California is not operating in substantial conformity in all evaluated outcome areas and five of the seven evaluated factors. The areas reviewed include whether California protects children from abuse and neglect, keeps children safely in their homes whenever possible, provides children permanent and stable living situations, and provides children appropriate services to meet their educational, mental health and physical needs. The audit identified foster parent training as an area where California needs to improve. The Legislature may wish to consider the appropriateness and wisdom of reducing foster parent training programs particularly in light of the recent federal audit.

- Reduction of child support administration funding
  Currently, child support administration funding is provided to counties in a lump sum. Counties have discretion in allocating these resources to the different departmental activities. The Budget proposes to reduce overall funding for local child support administration by $108.8 million ($37 million general fund). The state department plans to work with counties to target funding reductions to areas that will cause the least disruption to the critical functions of child support collections, establishment of paternity and improving program performance. The Legislature may wish to carefully consider this proposal and ensure that reductions in local assistance do not result in reduced revenue due to scale backs in collection activities.

- Elimination of Health Insurance County Incentive
  Current law provides an administrative incentive payment of $50 to county programs for obtaining third-party health coverage available from non-custodial parents. The budget proposes to suspend this program, and to claim savings of $3.2 million General Fund as a result. The Legislature may wish to consider the extent to which these incentives result in cost avoidance due to decreased participation in public health insurance programs.

5180 Department of Social Services

The Department of Social Services administers a variety of programs that have four major goals: 1) providing temporary cash assistance and services to encourage low-income families with children to attain self-sufficiency by moving from welfare to permanent employment; 2) providing social services to elderly, blind, disabled and other adults and children, protecting them from abuse, neglect and exploitation, and helping families stay together and in the community; 3) regulating group homes, preschools, foster care homes, day care and residential care facilities to ensure they meet established health and safety standards; and 4) conducting disability evaluations and providing benefit payments for federal and state programs serving the aged, blind and disabled. The department's total budget decreases by $807.4 million, a decrease of 4.5 percent. General Fund appropriations decrease by $3.9 billion, or 47.7 percent.

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	$ Change	% Change
General Fund	$8,123,229	$4,244,241	-$3,878,988	-47.7
Emergency Food Assistance Fund	309	462	153	49.5
Cont. Care Provider Fee Fund	967	942	-25	-2.5
Technical Assistance Fund	3,151	3,055	-96	-3.0
Certification Fund	1,163	1,122	-41	-3.5
Child Health and Safety Fund	1,358	1,308	-50	-3.6
Employment Training Fund	30,000	21,432	-8,568	-28.5
State Children's Trust Fund	1,938	1,942	4	.2
Federal Funds	6,498,334	5,848,361	-649,973	-10.0
Reimbursements	1,829,218	3,095,440	1,266,222	69.2
Transitional Housing for Foster Youth Fund	602	907	305	50.6
County Funds (Non-add)	[1,273,978]	[3,737,618]	[2,463,640]	193.3
Total	$17,764,247	$16,956,830	-$807,417	-4.5

CalWORKs

Prior to 1996, welfare was a federal entitlement under the Aid to Families with Dependent Children. The 1996 federal welfare reform law, Temporary Assistance for Needy Families (TANF), eliminated the federal entitlement, introduced work participation requirements, provided for services designed to support employment and gave states block grant funding and program flexibility. The California Work Opportunity and Work Responsibility to Kids (CalWORKs) program, California's implementation of TANF, became operational January 1, 1998. The CalWORKs program provides eligible low-income families monthly cash benefits and a variety of services, including employment services, childcare, and substance abuse treatment and mental health services, designed to support employment assist families in moving to self-sufficiency within time limits imposed by federal and state law. It requires participants to meet work participation requirements as a condition of receiving aid and sets a 60-month lifetime limit on aid for adults in the program, unless they meet specified exemption criteria. CalWORKs operates under guidelines set at the federal and state levels. It is overseen by the California Department of Social Services and administered locally by counties.

County welfare departments are provided a block grant and given flexibility to design and carry out the program within the state and federal program guidelines. County staff determine eligibility for the program, provide case management for recipients, including the development of welfare-to-work plans and referrals for services such as mental health and substance abuse treatment, domestic violence services, learning disability screenings, education, training, child care, housing assistance, and transportation. While state law establishes specific eligibility requirements, counties are given considerable flexibility to design welfare-to-work services.

Caseload

CalWORKs provides cash benefits and welfare-to-work services to children and their parents or caretaker relatives who meet specified eligibility criteria including having a family income below the CalWORKs maximum aid payment, having less than $2000 in resources, and having a car valued at $4,650 or less.

The average family of three must have a net income below $7,644 per year or 51 percent of the federal poverty level to be eligible for CalWORKs. CalWORKs recipients are required to participate in welfare-to-work activities and perform a minimum of 32 hours of work activities per week to remain eligible for benefits.

After peaking in 1994-95, the CalWORKs caseload has dropped by 46 percent through 2002. This decline is due to a combination of demographic trends (such as decreasing birth rates for young women), California's economic expansion, and full implementation of welfare reform. After years of declines, the Department of Social Services estimates caseload will increase by 1.9 percent in 2002-2003 and .8 percent in 2003-2004. The budget assumes that the CalWORKs average monthly caseload will be 517,472.

Program funding

CalWORKs is currently funded through an annual federal block grant of $3.7 billion and state-matching funds of $2.7 billion. California's $2.7 billion federally required state share is based on welfare spending in 1994, adjusted downward for achievement of certain work participation goals. Federal law requires states to spend TANF funds on current and former welfare recipients with some limited exceptions. Accordingly, California spends most federal funds on CalWORKs, and directs some TANF funds and some of the state's share-of-cost to activities in other departments including the Kinship Guardianship Assistance Program, services for persons with developmental disabilities and juvenile camps.

The Budget proposes total CalWORKs funding of $6.67 billion, $5.8 billion of which will be spent on the CalWORKs program, and $852 million to support non-CalWORKs federally allowable activities. This constitutes a $715 million, or 11 percent decrease in CalWORKs expenditures from the current year. The budget reduces general fund expenditures on CalWORKs by $901 million or by 36 percent.

The CalWORKs budget includes the following major components:

- Proposes legislation to suspend the annual cost of living adjustment for CalWORKs grants for the 2002-2003 and the 2003-2004 fiscal years to generate $252.4 million in savings, $80 million of which are estimated to be general fund savings.

- Reduces the maximum aid payment under CalWORKs by approximately 6.2 percent to $637 for a family of 3 to generate savings of $235.2 million none of which are general fund. This proposal will result in some families becoming ineligible for CalWORKs and for associated program services.

- Assumes a net savings of $440.1 million ($169.6 for grants, $204.6 for services and $65.8 for childcare) because thousands of recipients will reach their total 60-month time limit of eligibility. Upon reaching their time limit, participants who are working continue being eligible for services. Children remain eligible for safety net grants after the time limit is reached.

- Proposes a 50 percent county share of cost for CalWORKs employment services and administration for general fund savings of $543.7 million. These savings are associated with the proposed realignment of CalWORKs administration and employment services.

- Reduces CalWORKs administration by $56.3 million due to the implementation of prospective budgeting by September 1, 2003. Prospective budgeting will require beneficiaries to report their earnings and other eligibility related information on a quarterly basis instead of every month. The budget assumes savings due to significant decreases in the number of reports counties will process.

- Transfers $65.7 million in TANF funds to the Department of Developmental Disabilities.

- Provides a one-time augmentation of $241.5 million for CalWORKs employment services.

Issues

- Proposed suspension of CalWORKs cost of living adjustments
  The Budget suspends the 2002-2003 and 2003-2004 cost-of-living adjustments (COLA) for the CalWORKs program to realize savings of $252.4 million, $80 million of which are estimated general fund savings. Current law provides an annual cost of living adjustment for CalWORKs grants that is based on the California Necessities Index. The scheduled cost of living adjustments will increase the maximum CalWORKs grant from $679 to $729. Suspension of the cost-of-living adjustment will maintain grants at their current level and will not keep pace with cost of living increases such as rising housing costs. The Senate approved legislation in this year's special session to suspend the CalWORKs COLA for the 2002-2003 fiscal year.

- Proposed CalWORKs grant reductions
  The budget reduces the maximum aid payment under CalWORKs by approximately 6.2 percent to $637 for a family of 3. This proposal generates non-general fund savings of $235.2 million.

  This proposal reduces CalWORKs grants by $42 per month. The reduction will be partially offset by a $19 increase in monthly food stamps benefits. Overall, families will experience a decrease in their income from 78 to 76 percent of the federal poverty level or from $974 to $951 per month.

  In addition to decreasing resources available to very low-income families, the budget's grant reduction will make some families ineligible for CalWORKs and for associated program services. Individuals that have been participating in welfare-to-work activities and who are actively employed are most likely to lose CalWORKs eligibility as a result of the proposed grant reductions. These individuals may lose their health insurance coverage, childcare services, transportation and other services essential to their continued employment. The Budget does not estimate the number of people who will become ineligible as a result of reducing grants. It also does not appear to include savings for the resulting caseload decrease and reduced utilization of services.

  The proposed grant reductions may also lower the statewide CalWORKs work participation rates. Families who become ineligible as a result of grant reductions are most likely working and contributing to California's work participation rates. The termination of aid to families that are working, combined with effects of working families reaching their time limit, may result in lower work participation rates. Lower work participation rates may in turn increase the federally required state match by $181.7 million and may result in federal penalties. The Budget does not estimate the impact of the grant reductions on California's work participation rates.

  It is not clear that the Administration intended to reduce caseload and restrict access to services. The Administration may wish to clarify its intent with this proposal. For example, did the Administration intend to eliminate benefits and services for people who would otherwise remain eligible for welfare-to-work services? What services will these people continue to receive? What administrative procedures will be necessary to ensure individuals who become ineligible for benefits continue receiving services? The Administration may wish to consider the impact of this proposal on the ability of welfare recipients to retain employment and the estimated impact of this proposal on California's work participation rate.

  The Legislature may wish to consider the consequences of these grant reductions including their impact on the ability of welfare recipients to obtain and retain employment and effects on California's work participation rate. Are these reductions cost effective even if they do not result in any general fund savings?

- Realignment of CalWORKs employment services and administration
  The Budget proposes to realign CalWORKs administration, CalWORKs employment services and Stages 2 and 3 of childcare. Under realignment counties will assume funding responsibility for Stages 2 and 3 of childcare and for 50 percent of the cost for CalWORKs employment services and administration. For the 2002-2003 fiscal year, the budget estimates expenditures for CalWORKs administration and employment services to remain at their current level. This level of funding has not been adjusted since the 2000-2001 fiscal year and was reduced by $49 million in 2002-2003, leading to an estimated county under funding of $297 million. The budget estimates that under realignment counties will contribute $1 billion to fund CalWORKs, $881 million more than they were required to contribute last year.

  The proposal to realign CalWORKs employment services and administration appears feasible. Counties have been responsible for program administration and the provision of welfare-to-work services since 1998. The program caseload is relatively stagnant and not expected to increase significantly in the foreseeable future. Federal law requires that most TANF funding be spent on current and former welfare recipients thus ensuring that realigned dollars will be used to serve the welfare population. However, the budget lacks important details regarding the proposed realignment. For example, it does not specify how CalWORKs administration and employment services will be modified. It is unclear whether counties will be given increased flexibility to restrict access to services or otherwise contain costs. The budget does not specify if counties will have expanded program authority or whether the program will essentially remain the same. The Legislature may wish to clarify how the CalWORKs program will be modified as a result of realignment, what if any additional flexibility will be granted to counties and how realignment will affect the ability of welfare recipients to access services. The Legislature may also wish to consider the effect of realigning employment services on county efforts to encourage the transition of recipients from welfare to work and how the proposed realignment will affect existing county incentives. For example, will it be cheaper for counties to reduce the availability of employment services and reduce its efforts to support the transition of beneficiaries from welfare to work resulting in higher welfare caseloads? The Legislature may wish to consider the appropriateness of realigning employment services and may want to consider other alternatives such as increasing the county-share of cash grants.

  The United States Congress is expected to approve TANF Reauthorization in the current Congressional Session. The TANF Reauthorization bill proposed by the President makes significant changes to TANF including higher work participation requirements, reductions in the number and types of activities that can be counted as work, and changes in the way in which participation is calculated. To the extent that TANF Reauthorization makes major changes to the program, California will likely need to revisit and revise CalWORKs. Program costs may increase as a result of changes in TANF and CalWORKs. The Administration may wish to consider the interaction between realignment and the prospect of TANF Reauthorization. The Legislature may wish to consider the appropriateness of realigning components of CalWORKs on the verge of TANF Reauthorization.

Supplemental Security Income/State Supplementary Program (SSI/SSP)

The SSI/SSP program provides cash grants to persons who are elderly, blind and/or too disabled to work and who meet the program's federal income and resource requirements. Individuals who receive SSI/SSP are categorically eligible for the Aged, Blind or Disabled Medi-Cal Program with no share of costs, for the In-Home Supportive Services Program and may be eligible for other programs designed to keep individuals living in the community like the Multipurpose Senior Services Program.

The SSI/SSP program is administered by the federal Social Security Administration. The Social Security Administration determines eligibility, computes grants, and disburses monthly payments to recipients. The state contributes the State Supplementary Program portion of the program.

More than 1.1 million Californians receive SSI/SSP. Over two-thirds of recipients are disabled, 30 percent are elderly, and two percent are blind.

Caseload

The budget estimates that program caseload will grow by 2.2 percent in the 2002-2003 fiscal year and by 1.9 percent in the 2003-2004 fiscal year. The total caseload for 2003-2004 is estimated to be 1,148,176. Due to changing demographics and a projected increase in California's aging population, the SSI/SSP program caseload is likely to continue its growth in future years.

Program Funding

The budget estimates basic program costs for the SSI/SSP program for the 2003-2004 fiscal year to be $7.4 billion ($2.8 general fund). The Budget proposes significant reductions to the SSI/SSP program. Specifically, it:

- Suspends the 2002-2003 and 2003-2004 state funded cost-of-living adjustments for the SSI/SSP program for savings of $372.3 million.

- Reduces SSI/SSP grants to the federally required maintenance of effort level for savings of $662.4 million. The budget reduces the total SSI/SSP grant by 6.2 percent to a maximum grant of $708 for individuals and $1,225 for couples.

The Budget also proposes significant changes to the Cash Assistance Program for Immigrants (CAPI) which is a state funded program that provides cash benefits to aged, blind and disabled legal immigrants who became ineligible for SSI as part of welfare reform. CAPI grant levels are linked to the SSI/SSP grant levels, thus the budget reduces CAPI grants at the same rate as SSI/SSP grants for savings of $3.5 million. The budget also realigns the program to the counties.

Issues

- Suspension of state SSI/SSP cost of living adjustment
  The Budget suspends the 2002-2003 and 2003-2004 cost of living adjustments for the SSI/SSP program to realize savings of $372.3 million. Current law provides an annual state cost of living adjustment for SSI/SSP grants, which is based on the California Necessities Index. The scheduled cost of living adjustments will increase the maximum SSI/SSP grant for an individual from $757 to $805. The budget does propose to continue pass-through of the federal SSI COLA. Suspension of the state cost-of-living adjustment will maintain grants at a level that does not keep pace with cost-of-living increases such as rising housing costs. The Senate approved legislation in this year's special session to suspend the SSI/SSP COLA for the 2002-2003 fiscal year.

- Reduction of SSI/SSP grants to the federally required maintenance of effort level
  The budget reduces SSI/SSP grants to the federally required maintenance of effort level for savings of $662.4 million general fund. It reduces total SSI/SSP grant by 6.2 percent to a maximum grant of $708 for individuals and $1,225 for couples.

This proposal reduces SSI/SSP grants by $49 per month for individuals and by $119 for couples. The income of SSI/SSP recipients will decrease from 102.5 percent to 95.9 percent of the federal poverty level for individuals and from 135 percent to 123 percent of the federal poverty level for couples. In addition to decreasing resources available to low-income aged, blind and disabled individuals, the budget's grant reduction will make approximately 14,500 individuals ineligible for SSI/SSP benefits. These 14,500 individuals will also lose their categorical eligibility for Medi-Cal and the In-Home Supportive Services Programs and may need to pay a share-of-cost each month to continue receiving services. The share-of-cost is based on the amount by which that individual's income or assets exceed the applicable Medi-Cal limits. The required share-of-cost payment would, of course, be significant for people on fixed, low-incomes. Individuals who cannot afford to pay the share-of-cost, and who are adversely affected by other budget reductions including cuts to the Senior Nutrition Program and the Brown Bag Program, may see their system of care crumble and may face institutionalization at a significantly higher cost to the state.

The Legislature may request that the Administration clarify its intent with this proposal. For example, does the Administration intend to eliminate benefits and services for people who would otherwise remain eligible? What services will these people become ineligible for and how will the loss of these services affect the individual's ability to remain in the community? What administrative procedures will be necessary to ensure individuals who become ineligible for benefits to continue receiving other services they remain eligible for?

The Legislature may wish to consider the consequences of these grant reductions including their impact on the ability of aged, blind and disabled individuals to continue living independently and the potential costs associated with individuals becoming ineligible for no cost Medi-Cal and IHSS. Are these reductions cost effective?

- <u>Realignment of the Cash Assistance Program for Immigrants</u>
  The Cash Assistance Program for Immigrants (CAPI) provides cash benefits to legal immigrants who are not eligible for the SSI/SSP program due to their date of entry. The program was created after federal welfare reform law made these individuals ineligible for the federal program. CAPI is funded by the state and administered by counties. Currently it does not require a county share-of-cost. The Budget proposes to realign CAPI to the counties for general fund savings of $95.3 million.

  Realignment of CAPI may be feasible from a technical standpoint. Counties have been responsible for program administration since the program's inception. The program caseload is relatively stagnant and not expected to increase in the foreseeable future. Legislation approved in 2001 made the program a state entitlement, and the realignment proposal does not change its status at this time. The Administration may wish to clarify how, if at all, the CAPI program will be modified as a result of realignment, what, if any, additional flexibility will be granted to counties and how realignment will affect immigrant access to services.

  The Department of Social Services (DSS) was recently challenged in court regarding statutory interpretation as it relates to determining a person's date of entry for purpose of establishing CAPI eligibility. The lawsuit alleges that California has illegally denied benefits to eligible immigrants. DSS argues that the date a person "entered the United States" does not mean physical entry, but rather means the date the person became a lawful permanent resident. The statute literally reads "entered the United States". Plaintiffs' argue that the statutory language means exactly what it states, "entered the United States", and that the department's denial of benefits to elderly immigrants who entered the U.S. before 1996 but did not adjust their immigration status until a later date is illegal. The Court's ruling in this case may impact caseload and result in caseload increases. The Administration and the

Legislature may wish to consider the impact of this litigation on program caseload and the proposed realignment.

Food Stamps

The Food Stamps program provides eligible low-income families and individuals food stamps benefits at no cost. The program is overseen by the Department of Social Services and is administered by the counties. The Food Stamps program will serve an estimated 1.9 million persons, approximately 144,000 more than last year. The projected caseload increase is mostly the result of restoration of federal food stamp benefits to immigrants who had lost these benefits as a result of the welfare reform law.

The U.S. Department of Agriculture funds the benefit value of food stamps. The federal government also funds 50 percent of the program's administrative costs. The remaining 50 percent is split between the state and counties at a ratio of 70 percent to 30 percent respectively.

The state also administers the California Food Assistance Program (CFAP), a state-only food stamp program for legal non-citizens. The restoration of federal food stamps benefits to legal immigrant will dramatically reduce CFAP beneficiaries in the budget year. The estimated caseload at the end of the budget year is approximately 5,000.

The budget proposes a series of major adjustments to the Food Stamps Program. Specifically, the budget:

- Realigns food stamps administration costs and the CFAP program to counties for general fund savings of $282.6 million.
- Reduces funding for food stamps and CFAP administration by $18.5 million due to the implementation of prospective budgeting effective October 1, 2003. Prospective budgeting will require beneficiaries to report their earnings and other eligibility related information on a quarterly basis instead of every month. The budget assumes savings due to significant decreases in the number of reports counties will be required to process.

Issues

- Realignment of the Food Stamps Program and the California Food Assistance Program
  The budget proposes to realign Food Stamps Program administration and the California Food Assistance Program for general fund savings of $282.6 million. This proposal may be feasible from a technical standpoint as the counties have historically administered the program and already participate in funding administrative costs for the Food Stamps Program. However, the proposed realignment should be considered in the context of a series of changes that will significantly affect program operations.

  The Food Stamps program faces substantial federal penalties due to the state's high error rates. Although the state has initiated reforms in efforts to reduce its error rates (such as implementation of prospective budgeting) California currently faces significant federal penalties. The state is making progress in reducing its error rates, however it is likely to face similar penalties in the foreseeable future. Under current regulations, counties are liable for 90 percent of the federal penalty. Under realignment, counties will likely be responsible for 100 percent of future penalties and for financing system changes necessary to implement the state's plan for corrective action.

  Additionally, California is in the process of implementing the federally required Electronics Benefits Transfer system, which replaces paper food stamps with a debit card system. Findings from the initial implementation efforts suggest that significant training and follow-up is necessary to ensure proper use of the cards.

Lastly, recent changes in federal law restored Food Stamps eligibility for tens of thousands of legal immigrants. It is in California's best financial interest to transition eligible individuals from the California Food Assistance Program to the federal Food Stamps Program promptly. Effecting the transition of beneficiaries from one program to the other will require significant resources at the local level.

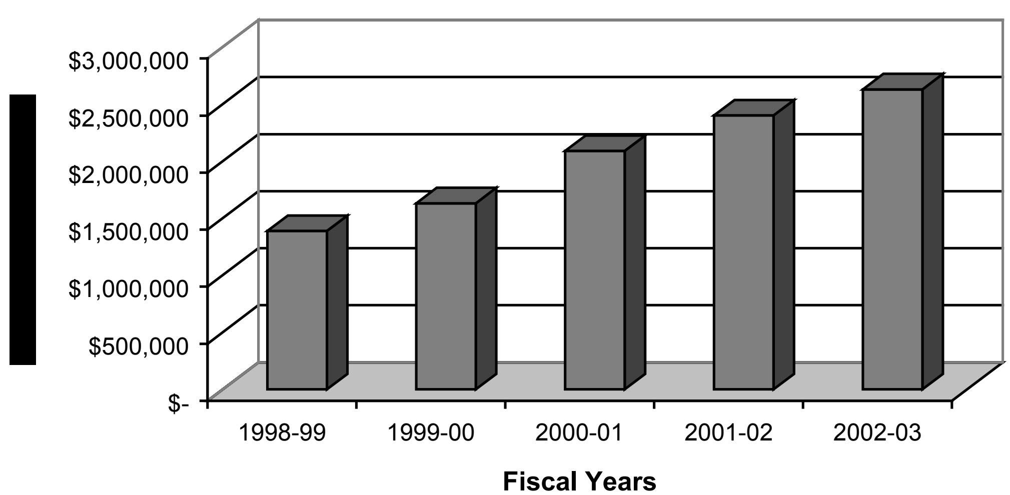
The Administration may wish to clarify how, if at all, the Food Stamps and CFAP programs will be modified as a result of realignment and how it foresees the counties and the state will cope with the aforementioned program changes in the realignment model. What if any additional flexibility will be granted to counties and how will realignment affect the ability of low-income individuals to access food benefits?

In-Home Supportive Services (IHSS)

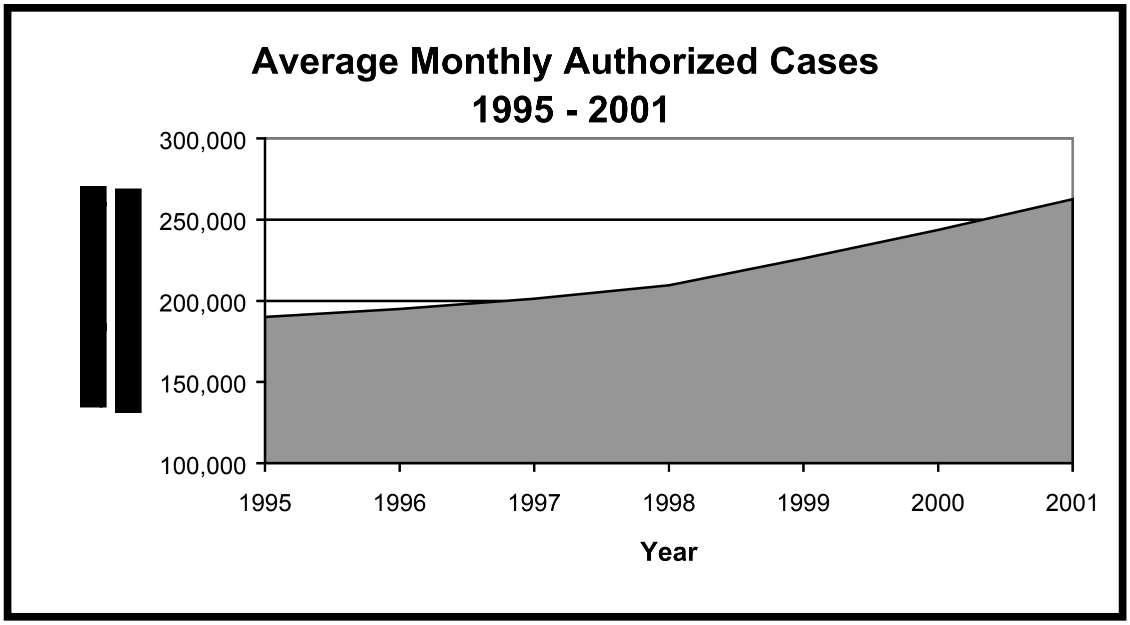
The In-Home Supportive services (IHSS) program provides services to aged, blind or disabled individuals that allow them to remain safely in their own homes as an alternative to out-of-home care. Services include domestic services (meal preparation, laundry), nonmedical personal care services, assistance while traveling to medical appointments, teaching and demonstration directed at reducing the need for support, and other assistance. Services are provided through individual providers hired by the recipient, county contracts with service providers, or through welfare staff. 74 percent of the persons receiving IHSS are provided federally reimbursable services through the Personal Care Services program of the Medicaid program. The remaining are served through the State's IHSS Residual Program.

The total cost of the IHSS program has nearly doubled from $1.39 billion in fiscal year 1998-99 to $2.63 billion in 2002-03. In 2003-2004, the total IHSS program budget will be $3.2 billion ($15.8 million General Fund) compared to $2.8 billion ($1.1 billion General Fund) in 2002-2003. The budget reflects a 14 percent increase in one year.

IHSS Program Appropriations



The IHSS program's rate of growth has been fueled by two factors: increased caseload and higher provider rates. Demographic trends have increased and will continue to increase the number of eligibles. Wage increases have also contributed to caseload growth as higher wages have made it easier for beneficiaries to hire providers and fully utilize the program. IHSS cases increased 38 percent from 1995 to 2001. This rapid growth is expected to continue in the future, given demographic and utilization trends. Caseload is estimated to average 320,622 per month in the budget year, an increase of 7.8 percent over the current year.



Recent Program Changes

Effective January 2003, the state requires that counties act as or select an employer of record for IHSS providers. A total of 53 counties have established public authorities to meet the employer of record mandate and collectively bargain with IHSS workers. An additional county will establish a public authority by the end of the budget year. The budget assumes that providers working for a Public Authority will serve over 90 percent of the caseload in the budget year.

Current state law provides that the state share in provider rate increases above the state minimum wage in Public Authority and non-profit consortium counties. The state participates in provider wages up to $9.50 and individual health benefits up to $0.60 per hour. For subsequent years, the law requires that the state participate in total wages and individual health benefits up to $12.10 per hour, not to exceed $1.00 per hour increase in any fiscal year, when general fund revenues meet specified targets. The budget proposes suspension of the IHSS wage increase for the budget year. It also proposes realignment of the IHSS program to counties, and presumably ends the state participation in IHSS wage increases.

Issue

Proposed realignment of the IHSS program.
The budget proposes to realign the In-Home Supportive Services Program to counties and requires counties to fund 100 percent of non-federal program costs. Prior to the first realignment, IHSS was principally funded through state sources with minor federal block grant funding. Counties bore

approximately two percent of the total cost. In 1991, counties became responsible for 35 percent of the non-federal cost. The 1993 creation of the Personal Care Services Program (PCSP) brought in federal funding for this program totaling $1.2 billion in fiscal year 2002-03. The budget calls for counties to fund 100 percent of the non-federal cost of this program.

Realignment of this program may be technically feasible, however it runs contrary to recent legislative initiatives, such as state participation in IHSS wage increases, and is substantively complicated. There also is a significant difference between the projected rate of growth for the program and for the proposed county funding sources. The Legislature may wish to consider how this program operate when realigned, whether realigning this program is consistent with recent Legislative initiatives, and the effect of realigning this program with a revenue source whose rate of growth is substantially less than the projected rate of growth for the program. The budget proposal lacks critical details governing how the IHSS program will operate once realigned. For example, the budget and its implementing legislation do not specify if and how the IHSS program will be modified. It is unclear whether counties will be given increased flexibility to restrict access to services or otherwise contain costs. It does not have the necessary parameters to assure available federal funds will be maximized through the PCSP program or requirement that ensure the IHSS Residual Program continue to exist. How will this proposal balance federal requirements that services be provided consistently across the state with the counties' need for flexibility? The Legislature may wish to consider how the IHSS program will be modified, what, if any, additional flexibility will be granted to counties and how realignment will affect the ability of low-income aged, blind and disabled individuals to access services.

Child Welfare and Foster Care

The Foster Care program provides support payments for children in out-of-home care, including foster homes, foster family agencies, residential treatment for seriously emotionally disturbed children and group homes. The caseload for foster care is estimated to be 75,000, a decrease of 1.2 percent. In addition, the Adoption Assistance program provides subsidies to promote the placement of hard-to-place adoptive children. The caseload is expected to be 61,000, an increase of 12 percent over current year. Finally, the Kin-GAP program provides support to children in long-term stable placements with relatives. The projected caseload is 16,000 children, reflecting an increase of 24.1 percent.

Children's Services includes Child Welfare Services (CWS) to provide programs to protect children from abuse, neglect and exploitation. Programs include Emergency Response, Family Maintenance, Family Reunification and Permanent Placement. Adoptions Services provides adoption services through state and county agencies. Child Abuse Prevention services provides grant funds to local agencies for prevention and intervention. These programs spend $2.2 billion total funds for local assistance.

The significant fiscal and programmatic issue currently facing the CWS program is the new federal outcome monitoring system required by the Adoptions and Safe Families Act. California has had its first audit which included a review of whether California protects children from abuse and neglect, keeps children safely in their homes whenever possible, and provides children appropriate services to meet their needs. The federal audit concluded that California is not operating in substantial conformity in all evaluated outcome areas and five of the seven evaluated factors. California now has to negotiate a Program Improvement Plan (PIP) with the federal government. The plan will outline what steps California will take to improve its outcomes and must include timeframes for achieving improvement. The federal findings strongly suggest that the PIP will require new investments into the CWS program.

Issue

Realignment of the Foster Care Program, Kin-GAP, Adoption Assistance and Child Welfare Services
The budget realigns the Foster Care Program, Kin-GAP, Adoption Assistance, and Child Welfare Services. All of these programs are currently administered by counties and require a county share-of-cost.

Programs	Current County Sharing Ratio	Realignment County Sharing Ratio
Foster Care Grants	60%	100%
Foster Care Administration	30%	100%
Kin-GAP	50%	100%
Adoption Assistance	25%	100%

Caseload growth varies across the programs. The Kin-GAP program is experiencing the most rapid growth at a rate of 24 percent in the current year. The Foster Care Program has experienced a caseload decline. This trend may change as historically the Foster Care Program rate of increase and decline has been precipitous and unpredictable. The Adoptions Assistance program caseload is expected to increase by 12 percent in the budget year. Generally, expenditures for the aforementioned programs have recently increased.

The Foster Care Program, Adoption Assistance, and Child Welfare Services are facing different kinds of challenges and developments likely to alter program operations. For example:

- A 1999 workload study found that social worker caseloads in California are excessively high for minimal levels of case management for vulnerable children and families. The optimal caseload standards are half of the current budgeting standards. As a result of this study, the state provided moderate increases to support workload relief. This funding was reduced in the current year and is proposed for realignment in the budget year. The current staffing levels compromise the ability of social workers to do their job and will likely have a negative impact on California's ability to meet the new federal performance standards.

- The Adoption Assistance Program is adapting to a new emphasis on expediting and increasing the number of adoptions. Recent federal legislation will likely reinforce these trends, as it requires courts to expedite the termination of parental rights after a shorter reunification period. The federal Adoptions and Safe Families Act created a new outcomes accountability system, which threatens sizable penalties for states that do not meet or show significant improvement towards meeting the new federal outcomes. The new federal outcomes include timely establishment of permanent situations for foster children.

- The Foster Care Program, among other challenges, is facing a serious shortage of providers, particularly foster family homes and intensive treatment facilities for seriously troubled children.

Realignment of these programs may be technically feasible, however, it is substantively complicated. The Legislature may wish to consider the proposed realignment in light of the impending changes to the Child Welfare Services system. The budget proposal lacks critical details governing how the programs will operate once realigned. For example, the budget and its implementing legislation do not specify how state oversight of the realigned programs will work. It is unclear whether counties will be given increased flexibility to significantly alter programs, to restrict access to services or otherwise contain costs. The budget does not specify if counties will have expanded program authority or whether the programs will essentially operate as crafted in state and federal laws. How will the proposed realignment balance federal requirements that services be provided consistently across the state and that there be a single administering agency with the counties' need for flexibility? The Administration may wish to clarify how these programs will be modified as a result of realignment, what, if any, additional flexibility will be granted to counties and how realignment will affect access services. The Legislature may wish to consider how it can structure realignment in a manner that assures appropriate state oversight and compliance with federal requirements. How will the state ensure counties comply with state and federal requirements when it will provide no funding for the child welfare system?

Independent Adoptions Program

The Independent Adoptions Program facilitates adoptions when an agreement has been reached between birth and adoptive parents. Essentially the Department of Social Services (DSS) serves as the investigative arm of the Court and makes a recommendation to approve or deny a petition for adoption. As part of the investigation, the DSS adoption specialist, within a specified timeline, completes a safety and welfare check, interviews petitioners and all persons required to consent to the adoption, and conducts a full investigation to assess the appropriateness of the adoption.

Issue:

<u>Proposed elimination of the Independent Adoptions Program</u>
The budget proposes to eliminate this program to realize savings of $2.8 million.

The Legislature may wish to consider the impact of this proposal on the rate in which children are adopted in California. Specifically, the Legislature may wish to consider the differences between individuals served by this program and those served by private adoption agencies, the varying costs of alternative adoption processes, and feasible alternatives to the state program that assure an efficient adoption system in California comprised of alternative adoption models. The Legislature may wish to consider alternatives such as increasing the fees paid by program participants to support the program's continuation.

Adult Protective Services

The Adult Protective Services (APS) program serves adults who may be victims of abuse or neglect in their homes or in community care facilities. The program is overseen by the Department of Social Services and administered by the counties. Legislation in 1998 created the current statewide system. The Legislation expanded the categories of people required to report suspected abuse, and defined the types of abuse required to be reported. It also required counties to provide emergency response systems, emergency shelter and food, and in-home protective services to elderly and dependent adults in danger of or known to be abused, neglected or exploited. The law established a county maintenance of effort (MOE) requirement of $11 million, which represents the amount counties were spending on services prior to 1998.

Funding for the program increased in the years following enactment of the 1998 reforms. Total funding since 1999-00 has remained relatively stable until fiscal year 2002-03, when the program's general fund contribution was decreased by $5.6 million. According to county estimates, current program funding is $15.6 million less than needed to provide mandated services. Total program expenditures are $72.2 million in the budget year. The average monthly caseload is estimated to be 14,200 persons, slightly decreased from the current year.

Issue:

Realignment of the Adult Protective Services Program
The Adult Protective Services Program is proposed for realignment to the counties for general fund savings of $50.2 million. Realignment of this program may be technically feasible. However, the current proposal lacks critical details regarding how the program will work when realigned. For example, the budget and its implementing legislation do not specify whether counties will be given increased flexibility to significantly alter programs, reduce services, limit required activities or otherwise contain costs. The budget does not specify if counties will have expanded program authority or whether the program will essentially operate as crafted in state law. The Administration may wish to clarify how these programs will be modified as a result of realignment, what, if any, additional flexibility will be granted to counties and how realignment will affect service delivery.

Community Care Licensing

The Community Care Licensing Division (CCLD) of the Department of Social Services is responsible for licensing over 85,000 community care facilities across the state. These facilities have the capacity to serve over 1.4 million clients requiring different types of care and supervision. Licensees include childcare facilities, certified family homes, foster family agencies, residential care facilities for the elderly, residential care facilities for the chronically ill, adoption agencies, transitional housing and adult day care. Currently, the CCLD is required to visit licensees on an annual or triennial basis to ensure compliance with health and safety requirements. The budget reduces CCLD funding by $7.5 million and proposes significant revisions to the licensing methodology to realize the proposed savings.

- Eliminates requirement that licensees be visited annually or triennially.
  The budget proposes to eliminate the requirement that licensees be visited annually or triennially and instead require the department to visit annually the following facilities:

  1. Facilities owned or operated by a licensee on probation or against whom an accusation is pending;
  2. Facilities subject to a plan of compliance requiring an annual inspection;
  3. Facilities subject to an order to remove a person from a facility;
  4. Facilities that require an annual visit as a condition of federal financial participation such as facilities serving developmentally disabled clients.

  All other facilities would be subject to an annual inspection based on a 10 percent random sampling method. The department will continue to visit on an annual basis a limited number of facilities if 10 percent of those facilities does not represent a statistically significant sample. The department will also continue to investigate all complaints and conduct legally required visits.

  The proposed changes to current annual and triennial visit requirements will result in 20% of licensees being visited every year. However, there is no requirement that licensees be visited at least once within a set time period. The Legislature may wish to consider the effect of this proposal on health and safety and may want to consider requiring that all facilities be visited at least once within an established time period.

- Transfers the responsibility for investigating less serious complaints lodged against certified family homes to licensed foster family agencies. Recent legislation transferred the responsibility for investigating complaints lodged against certified family homes from licensed foster family agencies to the DSS. The proposed transfer reverses the recently enacted legislation.

The Legislature transferred the responsibility to investigate complaints to the department in part because of concerns regarding a potential conflict of interest for foster family agencies that investigate complaints against certified family homes. Foster family agencies (FFA) contract with or operate certified family homes and are responsible for placing youth in these homes. Given this relationship and general shortages of providers, FFAs may be reluctant to investigate a complaint that may result in the loss of one of their providers or partners. The Administration may wish to provide specific information to appease concerns regarding the possible conflict of interest for FFAs and to assure this proposal does not compromise health and safety.

- Increases fee revenue to support the CCLD**.**
  The budget and implementing legislation propose to increase licensing fees to provide non-general fund support of the CCLD. The budget doubles license fees for childcare centers and family child care homes, eliminates aggregate fees for childcare centers, introduces fees for foster family agencies based on the number of certified family homes they operate, and increases fees for residential facilities and adult day care by 25 percent. The state is the principal client or primary payer of services for most facilities that will be effected by the proposed increases. The Administration may wish to consider the potential pressure for higher reimbursement rates that may result from increased licensing fees and the impact of the fee increases on the availability of program providers.